

## **NORTH CAROLINA CONSERVATION RESERVE ENHANCEMENT PROGRAM**



### **What is CREP?**

The Conservation Reserve Enhancement Program is an initiative established as part of the highly successful Conservation Reserve Program (CRP). CREP expands CRP's effectiveness by allowing USDA to work in partnership with state and local interests to meet specific conservation objectives. CREP utilizes federal and state resources to achieve long-term voluntary protection of environmentally sensitive cropland and marginal pastureland by reducing the impacts of sediment and nutrients within the targeted area and providing substantial ecological benefits for wildlife species that are declining in part as a result of habitat loss. The voluntary protection measures are accomplished through 10-, 15-, 30-year and permanent agreements for landowners to restore wetlands and plant grassed filter strips, forested riparian buffers and hardwood trees.

### **What is a CREP conservation easement and what limitations are placed on the land?**

A CREP conservation easement is a written agreement between a landowner and the state of North Carolina in which there is an acquired interest in the land to install conservation Best Management Practices, also called BMPs. The selected BMP exists for either 30 years or permanently, depending on the landowner's choice. Conservation easements acquired under CREP are no more restrictive than CRP contracts. With CREP, the landowner voluntarily limits future uses of the land such as crop farming and developmental rights, yet retains private ownership.

### **How much will the state pay in initial one-time payments for a 30-year or Permanent conservation easement?**

Payments will vary from county to county and will be based on CRP soil rental rates, assessed tax value of the cropland and the type of BMP installed. For example, the program provides the greatest incentives to landowners to implement forested riparian buffers and enter into permanent easements. The incentives include a federal payment for 15-years and a one-time state bonus payment. The program may also provide cost-share assistance on planting the trees. An additional incentive beyond what CREP provides for the permanent conservation easement can include state tax credits and federal and estate tax deductions.

### **What can I do with my land once it is in a CREP 30-year or permanent conservation easement?**

The title of the land still resides with the landowner. The landowner has the right to hunt and fish. If the land is forested, the landowner may manage the forest as prescribed in a written forest management plan approved by a registered forester. In general, the landowner may do as he/she pleases. However, the land under the conservation easement may not be developed or cultivated. The conservation easement follows the land from owner to owner via land deed. The conservation easement does not restrict the owner from selling or willing the land. The state must be allowed access to monitor the CREP easement area.

The landowner continues to control access to the land and may lease the land for hunting, fishing and other activities that are compatible with the conservation easement. An easement does not imply any right of public access to the land.

**Does the conservation easement apply to the entire farm?**

No, the conservation easement applies only to the specific parcels of land enrolled in CREP.

**Why would I give up my development rights?**

Most of the land eligible for CREP is marginal cropland or land that is wet a majority of the time. Most sites are not suitable for residential or industrial development. Since the development potential of the land is minimal, one of the best economic returns to expect would be through the money received for enrollment in a permanent conservation easement.

For those interested in the future development potential of their lands adjacent to CREP areas, buyers traditionally pay more money for houses with surrounding land. Homes may sell more quickly if located near permanently preserved areas, such as riparian corridors and buffers, because potential buyers know these areas will remain as open space.

**Why would I consider a permanent conservation easement for my land?**

Many landowners value their lands, not just for economic purposes, but for the quality of life associated with living in rural communities, for the open spaces and for the natural resources these lands provide. Many landowners want to pass their land to the next generation. A permanent conservation easement can not only help by reducing some of the tax burden, it allows the landowner to retain the title while receiving payment for the land.

Other attractions of the program include potential income from the state's one-time bonus payment, permanent protection from urban or development sprawl in the easement area, improved recreational enjoyment of wildlife resources, possible income from hunting leases and improved landscape aesthetics.

**What other economic benefits does a permanent conservation easement offer?**

There are economic benefits to enrolling in a permanent conservation easement beyond what the program offers. Below are some of these benefits. It is advised that land owners consult an attorney or accountant for specific details of these programs.

- **North Carolina State Tax Credits:** Permanent conservation easements offer landowners many economic benefits in addition to the state one-time bonus. The landowner may also apply for a state conservation tax credit on all lands put under permanent conservation easement. A landowner may receive a tax credit up to 25% of the value of a donated interest in land (up to a maximum credit of \$250,000 for individuals and \$500,000 for corporations) to be carried for five succeeding years on their state income taxes.
- **Federal Income Tax Deductions:** A landowner may apply for a federal tax deduction by enrolling in a CREP permanent conservation easement on his/her land. The value of the easement is considered a charitable contribution that may be deducted from federal taxes.

In 2006, President Bush signed into law a new tax incentive for conservation easement donations. The new law raises the deduction a landowner can take for donating a conservation agreement from 30% of their adjusted gross income in any year to 50%; allows qualifying farmers and ranchers to deduct up to 100% of their adjusted gross income; and increases the number of years over which a conservation easement donor can take those deductions from 6 years to 16 years.

Every conservation easement must still meet the requirements of Section 170(h) of the tax code and every deduction must be based on an appraisal on existing market conditions and a thorough analysis of land use possibilities. These new incentives will expire January 1, 2008. See your accountant for more details.

- **Federal Estate Tax Deductions:** Landowners may also use the value of the donated permanent conservation easement against their estate taxes.
- **County Tax Reductions:** Although every county has a different tax system, some county property tax relief may be expected for the portion of land under conservation easement that is being converted from open land to forest. Individuals should contact his/her local tax office for more details.

**Who will hold the conservation easement?**

The state of North Carolina will hold the conservation easement. The Division of Soil and Water Conservation will enforce and monitor the conditions of the easement with assistance from the local Soil and Water Conservation Districts.

**Are there options for entering the CREP program other than the permanent conservation easement?**

Yes, there is also a 10-year contract, 15-year contract or 30-year conservation easement option. The 30-year conservation easement provides a state one-time bonus payment and is not eligible for the state or federal tax credits/deductions. Also, less cost share is available under the 30-year conservation easement for establishing the CREP practice(s).

For more information or to learn more about enrollment in the program, visit your local Soil and Water Conservation District office or contact:

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